



January 4, 2008

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number: 265-24 – Discussion Paper for Consideration by the SEC Advisory Committee on Improvements to Financial Reporting (Discussion Paper)

Dear Ms. Morris:

The Financial Reporting Committee ("the FRC") of the Institute of Management Accountants ("IMA") appreciates the opportunity to provide additional views on the "*Discussion Paper for Consideration by the SEC Advisory Committee on Improvements to Financial Reporting*" (the "Discussion Paper"). The FRC is the financial reporting technical committee of the Institute of Management Accountants. The FRC is comprised of representatives from preparers of financial statements from some of the largest companies in the world, the largest accounting firms in the world, valuation experts, accounting consultants as well as academics. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.

On December 6, 2007, Paul Sharman and Allan Cohen, representing the IMA and the FRC, respectively met with Dennis Beresford, Scott Evans, James Quigley and David Sidwell (the "Subcommittee"), to talk about the standard setting and interpretive processes in the United States. We would like to thank them and the Commission for the opportunity to express our views to the Subcommittee and to provide supplemental information regarding one of the proposals that Allan Cohen put forward during that discussion. Specifically, the proposal was to create an "accounting court" or an "accounting council" (hereafter referred to as an "accounting council") in order to address the diminished use of professional judgment caused, in part, by fears of second-guessing by regulators, the plaintiffs bar and other interested parties. We believe that the

creation of this organization is complementary to, as opposed to a substitute for a “safe harbor” provision (see our October 3rd 2007 letter which discusses the protocol for a safe harbor).

We believe that it is important to be clear that the “accounting council” would not assume any of the standard setting responsibilities of the Securities and Exchange Commission (“SEC”) or of the Financial Accounting Standards Board (“FASB”). Rather the “accounting council” would be an independent organization of accountants that reviews accounting judgments that were questioned by the SEC or the Public Company Accounting Oversight Board (“PCAOB”). We believe that this process will provide a neutral setting and better framework for consideration of such issues and that this approach would enable preparers and auditors to feel comfortable that they are able to make reasonable judgments about the application of GAAP, which will be particularly important in the principles-based environment that we hope will be the norm in the future. The concept that enforcement actions should not be based on informal guidance or reasonable differences of opinion was noted in a report published by the United States Chamber of Commerce in March of 2006 on the investigative process and certain policies pursued by the SEC in assessing whether to bring an enforcement action and determining what the appropriate sanctions should be. The report noted the following:

“Indeed, in a recent address before the American Institute of Certified Public Accountants (AICPA) National Conference, SEC Commissioner Atkins discussed the need for clarity in accounting standards, stating that enforcement actions should not be based upon “informal guidance” or “reasonable differences of opinion about the application of GAAP.” Recently, both SEC Chairman Cox and the acting chief accountant of the Commission have lamented the complexity and lack of clarity in accounting principles. This view generally was shared by interviewees, and it extended beyond accounting principles to general legal and disclosure standards. The Commission is seen as increasingly attempting to impose shifting standards of conduct and liability through enforcement proceedings. This reportedly has caused a sense of uncertainty to envelop the business community, along with a fear that the

Commission will impose a standard of liability that has not been clearly enunciated.”

We are not suggesting that the SEC or the PCAOB give up any rights to bring action against an accountant if the accounting council determines that an incorrect professional judgment was made. However, to the extent that accountants continue to face enforcement actions or restatements for making sound professional judgments in cases where the accounting guidance is unclear, they will respond by continuing to ask the FASB for detailed accounting rules. Absent such a step being taken, we do not believe that the Subcommittee can fulfill its task to address the diminished use of professional judgment when one of the principal underlying causes (fears of second-guessing by regulators, the plaintiffs bar and other interested parties) remains unaddressed.

To the extent that the Subcommittee does not believe that it will be in a position to include the establishment of an accounting council as part of its recommendations, we would ask that the Subcommittee request a more in-depth study of the issue. For example, we believe that the GAO or other appropriate governmental organization could conduct a more in-depth review and, based on the results, evaluate whether such a council would facilitate the appropriate use of professional judgment.

We believe the notion is worth pursuing because it would provide incremental accountability to the process by which these issues are resolved. A heightened focus on accountability for the results of a process tends to improve overall performance of that process for all concerned. In reaching day to day conclusions on whether reasoned professional judgment had been exercised, both the SEC staff and practicing accountants would know that there would be a timely, competent and independent resource to mediate an issue if the parties disagreed, something that does not practically exist today. Even if the parties did not ultimately need to call upon the accounting council, its existence would provide additional incentives to reach the best and fairest conclusions on the issues being deliberated.